

 <b>Finance &amp; Audit Scrutiny Committee</b> <b>- 29<sup>th</sup> March 2011</b>		<b>Agenda Item No.</b>  <b>5</b>
<b>Title</b>	Audit Opinion Plan 2010/11 and Audit/Inspection Fees 2011/12	
<b>For further information about this report please contact</b>	Mike Snow (01926) 456800 <a href="mailto:Mike.snow@warwickdc.gov.uk">Mike.snow@warwickdc.gov.uk</a>	
<b>Service Area</b>	Finance	
<b>Wards of the District directly affected</b>	None specifically	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Finance and Audit Scrutiny Committee 25 <sup>th</sup> May 2010	
<b>Background Papers</b>	None	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report authors relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director	15/3/11	Andy Jones
Chief Executive		
CMT		
Section 151 Officer		Mike Snow
Legal		
Finance		Mike Snow
Portfolio Holder(s)	15/3/11	Councillor Andrew Mobbs
<b>Consultation Undertaken</b>		
<b>Final Decision?</b>		Yes/No
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **SUMMARY**

- 1.1 This report asks the Committee to consider the Annual Audit and Inspection Plan for 2010/11 from the external auditors, and the proposed fees for the 2011/12 audit; and if necessary agree any further information required from either officers or the Council's Auditors. The Council's External Auditors will attend the Finance and Audit Scrutiny Committee for this item.

## 2. **RECOMMENDATION**

- 2.1 The Committee considers the Annual Inspection Fee 2011/12 letter and the Audit Opinion Plan 2010/11 letter attached, and agrees any further information required from either officers or the Council's Auditors.

## 3. **REASONS FOR THE RECOMMENDATION**

- 3.1 These documents are reported to the Committee so as to aid understanding of the role of the Council's external auditors.

## 4. **ALTERNATIVE OPTION CONSIDERED**

- 4.1 None.

## 5. **BUDGETARY FRAMEWORK**

- 5.1 The proposed 2011/12 Audit Fee (as set out in the Annual audit Fee Letter) is £117,661, £35,000 for the work on grant claims and returns, totalling £152,661.
- 5.2 The 2010/11 audit fee was £123,854. This figure included an uplift of 6% in relation to the additional work relating to the auditing of accounts prepared under the International Financial Reporting Standards. However the Audit Commission agreed at the outset to refund £7,368 (6%) in 2010/11 to the Council in respect of this, so reducing the audit fee to £116,486. More recently, the Council has received a rebate off the 2010/11 fee of £1,842, so bringing the net fee for the 2010/11 audit to £114,644. The 2011/12 fee represents an increase of 2.6% over this figure.
- 5.3 The 2010/11 Audit Fee also included £8,320 in respect of Inspection and Management Performance work relating to the Comprehensive Area Assessment and Use of Resources. With the Government announcing last year that this work was to cease, the Council has not had to pay this fee. No similar fee is proposed for 2011/12.
- 5.4 The Council's total budget in respect of external work is £119,000 for the main audit, and £31,000 for grant claims.
- 5.5 Future levels of audit fees will largely be dependant upon when the Audit Commission is wound up and a new regime is in place for the appointment of local authority auditors. Originally 2011/12 was to be the last year that the Audit Commission would be responsible for local authority audits. This meant that the Council should have new auditors in place ahead of 2012/13. However, there are expected to be delays to this original timetable.

## 6. **POLICY FRAMEWORK**

- 6.1 By considering the documents, members can see how external audit can assist the Council in its priority of managing the Councils resources effectively and ensuring its services are of a high quality.

## 7. **BACKGROUND**

- 7.1 The auditors have issued the following documents:-

- Annual Audit Fee Letter 2011/12
- Audit Opinion Plan 2010/11

- 7.2 The Audit Opinion Plan details the work the auditors will be undertaking in considering the 2010/11 Accounts.

- 7.3 Finance will be issuing the Final Accounts report to the Executive in June. This report details the overall position for the Council's revenue and capital expenditure compared to budget, and how this is financed. The Statement of Accounts, is due to be presented to Council at the end of June for agreement. The Statements include the Income and Expenditure Account and the Balance Sheet and are required to comply with the Statement of Recommended Practice. The Council is required to approve the Statement before the commencement of the Audit.

- 7.4 The Auditors will report to the Finance and Audit Scrutiny Committee before the end of September ahead of issuing their opinion of the accounts.

- 7.5 The Audit Opinion Plan suggests three specific risks:-

### International Financial Reporting Standards (IFRS)

The 2010/11 Statement of Accounts will be the first that the Council has had to prepare under IFRS. Officers have been actively working towards this for some time. This was the subject to a report to Finance and Audit Scrutiny Committee in May 2010. The 2009/10 Accounts have now been successfully re-stated.

### Value of Council Houses

It is necessary for an up to date valuation to be included in the final agreed balance sheet. Officers have been working with the District Valuer (as the Council's Valuer) to ensure that the figures are available earlier to include in the Accounts prepared by June rather than have to subsequently change the figures at a later date.

### Other changes to the Accounts

With the accounting requirement changing annually, it is common for there to be some changes to the initial statements. Officers are working to ensure that these are minimal. The accountants follow the details in all the guidance to endeavour to ensure the accounts are correct.

- 7.6 Paragraph 7.3 above referred to the requirement for the Accounts to be agreed by Council before the end of September. Consultation on proposed Accounts and Audit Regulations ended 4<sup>th</sup> March. Under the proposals it will only be necessary for the Responsible Finance Officer to sign off the accounts by June. However Council would need to agree the fully audited accounts by the end of September. Members will be informed of any changes when these are known.